



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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EDUCATING INVESTORS FOCUS OF APRIL SAVINGS & INVESTMENT MONTH CAMPAIGN

PHOENIX – Joining state securities regulators from Hawaii to Maine, the Arizona Corporation Commission is kicking off its annual investor education campaign in April. Through public outreach, events, media contact and one-on-one contact with investors, the Commission aims to promote financial literacy and help Arizona residents recognize and avoid securities fraud.

“In the last year, we’ve seen daily coverage of corporate fraud and scandals perpetrated by some of the biggest names in investment banking,” Commission Chairman Marc Spitzer said. “We sanctioned Merrill Lynch, Citigroup, Morgan Stanley and Goldman Sachs, to name a few. We hope that the record-breaking fines and strict reforms that we’ve forced these companies to implement go a long way to restoring investor trust in Wall Street.”

Chairman Spitzer is referring to ten settlements resulting from investigations into conflicts of interest at 10 major Wall Street brokerage houses. A total of almost \$7 million was paid into the Arizona State General Fund as a result of the Commission orders approving the settlements. An additional \$434,132 is earmarked for investor education throughout the state.

“During my experience as a public servant, I’ve seen far too many investors who were swindled simply because they were too trusting. That is why investor education is so important,” Commissioner Bill Mundell said.

“Whether you’re turning over some of your savings, making changes to your retirement plans or IRAs or looking for a new investment adviser, there are some steps you should take to protect yourself.”

Those steps include:

- Contacting the Arizona Corporation Commission to determine whether the broker-dealer, securities salesperson or investment adviser is properly registered to offer investment opportunities. Investors can also check the disciplinary history of the person or firm. Call the Commission's Securities Division at 602-542-4242 from the Phoenix metro area or 1-877-811-3878 from elsewhere in the state. Visit www.sec.gov and www.nasdr.com to investigate online.
- Conducting an Internet search on the promoter's name, company name or the type of investment to see if any independent research uncovers warning signs or possible problems with the investment.
- Requesting offering materials and reviewing them until you understand the investment and related risks.
- Reviewing your risk tolerance to determine your relative comfort level with the investment and its associated risks. All investments have a certain level of risk.
- Determining whether you can live with the consequences of losing all or part of your investment. There are no absolute guarantees against loss.
- Consulting with a trusted professional, friend or relative to make sure you understand what you are investing in, what kind of returns you can expect and what consequences you might face if you need fast access to the money you invest.

"There are a lot of reasons for people to be optimistic about their financial futures. The stock market is rebounding, consumer confidence is rising, home values continue to appreciate and mortgage interest rates remain at the lowest levels in decades," Commissioner Jeff Hatch-Miller said.

"The interesting thing we find is that con artists thrive in any market environment," Commissioner Mike Gleason commented. "Con artists just change their pitch to capitalize on your expectations or fears."

Securities investigators say that in a down market, con artists try to convince the investor that his or her money is not performing because the market is not performing. Investors are encouraged to take money out of current investments and give it to the swindler who promises to deliver above-market returns.

In a rising market, the game is played a little bit differently. Swindlers acknowledge that the traditional markets are doing well but try to convince the investor that they or their investment program can not only deliver a good return, it will deliver a better return than anything else out there. Since few people ever say they have “enough money,” it is easy to become convinced to invest in an opportunity to have “more money.”

“The same tools that are used to sell us legitimate products – in person meetings, e-mail messages, seminars or websites – are also tools used to commit fraud,” Commissioner Kristin Mayes explained. “When an unfamiliar source presents an investment opportunity to you, you should be on alert for potential fraud. The presenter’s goal is always to make a sale or promote a product. You need to look out for yourself and what is in your own best interest. An anonymous source can’t possibly know your investment goals or risk tolerance.”

While volumes of investment expertise are now available at the click of a mouse, state securities regulators remain investors' first line of defense against fraud. The Commission’s Securities Division investigates complaints, brings enforcement actions, registers financial professionals and educates investors at the grass-roots level. Risky payphone and ATM investments, bogus promissory notes, prime bank schemes and investment shares in tangible properties such as time shares or precious metals are among the problematic investments reported by Arizona regulators.

The North American Securities Administrators Association is coordinating national investor education media events during the month of April. This organization represents securities regulators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico.

To obtain objective information about investing, click on www.ccsd.cc.state.az.us or call 602-542-4242. From outside the Phoenix metro area, call toll free at 1-877-811-3878.

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